

Message Text

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TO SECSTATE WASHDC 1542
USDOC WASHDC
INFO AMCONSUL OPORTO

UNCLAS SECTION 1 OF 2 LISBON 4168

COMMERCE FOR MAJOR EXPORTS PRODUCTS DIVISION

E.O. 11652: N/A
TAGS: BEXP, ETRN, PO
SUBJ: MAJOR EXPORT PRODUCTS: PORTUGUESE RAILWAY INVESTMENT
PLAN

SUMMARY. PORTUGUESE RAILWAYS IS CURRENTLY IMPLEMENTING DOLS.
77.7 MILLION INVESTMENT PLAN AIMED AT EXPANDING AND UPGRADING
PRESENT RAIL NETWORK AND REPLACING OR RENOVATING MOST ROLLING
STOCK BY 1980. OPPORTUNITIES FOR U.S. EXPORTS INCLUDE:
LOCOMOTIVES, ROLLING STOCK, AND COMPONENTS; STEEL RAILS;
CONSTRUCTION EQUIPMENT; AND AUTOMATIC CONTROL AND SWITCHING
EQUIPMENT. END SUMMARY.

1. PORTUGUESE RAILWAYS (CAMINHOS DE FERRO PORTUGUESES - CP),
A PUBLIC CORPORATION, IS PORTUGAL'S ONLY RAILWAY. IN
1975 IT BEGAN A FIVE-YEAR, DOLS 77.7 MILLION (30 BILLION
ESCUDOS) INVESTMENT PLAN AIMED AT EXTENDING AND UPGRADING
ITS CURRENT RAIL GRID AND AT REPLACING OR RENOVATING MOST
OF ITS MOTIVE AND ROLLING STOCK. CP PLANNING DIRECTOR
JOSE ALELUIA RECENTLY BRIEFED EMBOFFS ON CURRENT STATUS
OF PLAN AND OPPORTUNITIES IT OFFERS FOR U.S. EXPORTS.
SUMMARY FOLLOWS.

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2. SCOPE: PLAN FOCUSES ON FOUR MAIN AREAS:
A. EQUIPMENT PROCUREMENT: C.P. HAS BUDGETED DOLS
13.7 MILLION FOR NEW LOCOMOTIVE AND ROLLING STOCK PUR-
CHASES OVER THE NEXT FIVE YEARS. FIRST PRIORITY WILL
BE UPGRADING OF LONG NEGLECTED FREIGHT CAR FLEET, WITH
PARTICULAR EMPHASIS ON PROCUREMENT OF SPECIALIZED CARS
SUCH AS TANKERS AND ORE CARRIERS. LARGE NUMBERS OF

PASSENGER CARS, BROAD AND METER GAUGE DIESEL LOCOMOTIVES, AND THREE-CAR ELECTRIC AND DIESEL TRAIN SETS WILL ALSO BE OBTAINED.

B. LINE EXTENSION: BY 1980 CP HOPES TO HAVE COMPLETED TWO NEW RAIL LINKS TO MAJOR ECONOMIC CENTERS NOW BEING DEVELOPED.

-- SINES LINE: BRANCHING OFF CP'S MAIN SOUTHERN ROUTE AT POCEIRAO, 40 MILES SOUTHEAST OF LISBON, THIS LINE WILL CUT SOUTH TO THE MAMMOTH SINES PORT/REFINING/PETROCHEMICAL COMPLEX, EXPECTED TO BEGIN OPERATIONS IN EARLY 1978. TWO RIVERS, THE MARATECA AND SADO, WILL BE CROSSED ENROUTE. CONSTRUCTION OF THE POCEIRAO-SADO LEG, INCLUDING THE MARATECA RAIL BRIDGE, IS ALREADY UNDERWAY. ONCE THE ROUTE OF THE FINAL, LONGER LEG SOUTH OF THE SADO IS DETERMINED - PROBABLY BY LATE SUMMER - BIDS WILL BE INVITED FOR BOTH THE SADO BRIDGE AND REMAINING ROAD-BED CONSTRUCTION. CONSTRUCTION OF BOTH IS EXPECTED TO COST \$3 MILLION AND TO BE COMPLETED BY 1980.

-- GUARDA-MONCORVO: CP HAS COMMISSIONED FEASIBILITY STUDIES FOR A RAIL LINK OVER MOUNTAINOUS TERRAIN BETWEEN GUARDO AND THE MONCORVO IRON MINES IN NORTHERN PORTUGAL. THE PROJECT IS - PROBABLY OPTIMISTICALLY - PROJECTED FOR COMPLETION IN 1980 AT A COST OF DOLS 3 MILLION.

C. OTHER MAJOR CONSTRUCTION: ADDITIONAL MAJOR CONSTRUCTION PROJECTS HAVE EITHER BEEN APPROVED OR ARE BEING PLANNED:

-- DOURO RIVER RAIL BRIDGE: CP HAS ALREADY OBTAINED GOP APPROVAL TO REPLACE A 100 YEAR OLD RAIL BRIDGE OVER UNCLASSIFIED

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THE DOURO RIVER WHICH HAS LONG BEEN A BOTTLENECK ON THE LINE'S MAIN NORTH-SOUTH ROUTE. WORK ON THE APPROACHES TO THE NEW BRIDGE IS NOW COMPLETED AND CP WILL SELECT IN JUNE A CONTRACTOR FOR THE CONSTRUCTION OF THE BRIDGE ITSELF FROM AMONG THREE PORTUGUESE FIRMS WHO HAVE SUBMITTED ACCEPTABLE BIDS. ACTUAL CONSTRUCTION IS EXPECTED TO BEGIN IN FALL 1977, WITH COMPLETION SCHEDULED FOR 1980.

-- POL HOLDING FACILITIES: TO HANDLE THE DISTRIBUTION OF SINES POL PRODUCTS, CP PLANS TO BUILD A NETWORK OF POL HOLDING CENTERS AT POINTS THROUGHOUT THE COUNTRY. MAJOR DEPOTS ARE NOW PLANNED FOR FARO IN THE SOUTH AND ENTRONCAMENTO IN CENTRAL PORTUGAL. LOCATION OF SECONDARY CENTERS HAS YET TO BE DETERMINED. ASSUMING THE GOP

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COMMERCE FOR MAJOR EXPORTS PRODUCTS DIVISION

APPROVAL AND FINANCING CAN BE OBTAINED, CONSTRUCTION IS EXPECTED TO START UP NEXT YEAR, WITH THE LAST DEPOT TO BE COMPLETED BY 1980. CP HAS AGREED TO PROVIDE FURTHER DETAILS WHEN PLANS BECOME MORE CONCRETE.

D. RIGHT OF WAY IMPROVEMENTS: COP IS ALSO MOVING TO UPGRADE ITS CURRENT ROADBED THROUGH A MAJOR MODERNIZATION PROGRAM:

-- RAILS AND ROADBED: OVER THE NEXT THREE YEARS CP EXPECTS TO REPLACE OVER 1000 MILES OF STEEL RAIL AND TO IMPROVE THE QUALITY OF THE UNDERLYING ROADBED. PRIORITY IN RAIL REPLACEMENT WILL BE GIVEN TO THE HEAVILY TRAVELED LISBON-CASCAIS COMMUTER LINE, WHICH WAS TAKEN OVER BY CP THIS YEAR.

-- AUTOMATION: CP PLANS TO REPLACE HUNDREDS OF HAND-OPERATED SWITCHES AND RAIL CROSSINGS THROUGHOUT PORTUGAL WITH ELECTRICALLY OPERATED EQUIPMENT. ON ITS MOST HEAVILY TRAVELED COMMUTER ROUTES AROUND LISBON AND OPORTO, CP WILL INSTALL CENTRALIZED AUTOMATIC CONTROL FACILITIES.

3. EXPORT OPPORTUNITIES: CP'S INVESTMENT PROGRAM OFFERS POTENTIALLY SIGNIFICANT OPPORTUNITIES FOR AMERICAN EXPORTERS.

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-- LOCOMOTIVES AND ROLLING STOCK: PORTUGUESE MANUFACTURERS WILL BE ABLE TO SUPPLY VIRTUALLY ALL OF CP'S FREIGHT ROLLING STOCK NEEDS. HOWEVER, SOME PASSENGER CARS, MOST LOCOMOTIVES, AND AN UNDETERMINED NUMBER OF

TRAIN SETS (DEPENDING ON DOMESTIC CAPACITY) WILL BE IMPORTED. DOMESTIC MANUFACTURERS WILL ALSO BE FORCED TO IMPORT CERTAIN ROLLING STOCK COMPONENTS. CP HAS TRADITIONALLY PURCHASED ITS FLEET VEHICLES FROM EUROPE, ESPECIALLY FRANCE. IT HAS IN THE PAST, HOWEVER, BOUGHT LOCOMOTIVES OF AMERICAN DESIGN, EITHER DIRECTLY FROM U.S. MAKERS OR FROM CANADIAN FIRMS MANUFACTURING THEM UNDER LICENSE. THE KEY CRITERION IN CP'S SELECTION OF SUPPLIERS WILL BE FINANCING, WHICH POTENTIAL SUPPLIERS WILL BE EXPECTED TO ARRANGE. THOSE OFFERING THE MOST GENEROUS REPAYMENT TERMS WILL HAVE THE INSIDE TRACK, WITH EQUIPMENT SUITABILITY A SECONDARY CONSIDERATION. (COMMENT: SUPPLIERS OFFERING SIGNIFICANT LOCAL PROCUREMENT COMPONENT IN BIDS HAVE TRADITIONALLY FARED BEST IN COMPETITION)

-- CONSTRUCTION: TO DATE, ONLY PORTUGUESE FIRMS HAVE BEEN ALLOWED TO BID ON CP CONSTRUCTION PROJECTS. ACCORDING TO ALELUIA, THIS IS LIKELY TO BE THE CASE IN FUTURE PROJECTS. PARTICULARLY IN THOSE CASES WHERE FOREIGN FINANCING MAY BE NECESSARY, HOWEVER, FOREIGN CONSTRUCTION FIRMS MAY BE ALLOWED TO PRESENT BIDS JOINTLY WITH PORTUGUESE ENTERPRISES. SUBCONTRACTING ARRANGEMENTS FOR CONSTRUCTION PROJECTS WOULD ALSO BE ALLOWED. IN ADDITION, CERTAIN SPECIALIZED COMPONENTS FOR SUCH PROJECTS AS POL HOLDING FACILITIES ARE LIKELY TO BE IMPORTED.

-- CONSTRUCTION MACHINERY: CP'S LINE EXTENSION AND OTHER LARGE CONSTRUCTION PROGRAMS WILL REQUIRE HEAVY EARTH MOVING AND OTHER MACHINERY NOT CURRENTLY PRODUCED IN PORTUGAL. AS WITH ROLLING STOCK/LOCOMOTIVE PURCHASES, SUPPLIERS WILL BE EXPECTED TO ARRANGE FINANCING.

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-- STEEL RAILS: LINE EXTENSION AND RAIL REPLACEMENT PROGRAMS WILL CREATE HEAVY DEMANDS FOR STEEL RAILS, WHICH ARE NOT MANUFACTURED IN PORTUGAL. PREVIOUS PURCHASES HAVE BEEN MAINLY FROM GREAT BRITAIN, BUT FINANCING TERMS WILL BE PRIMARY CONSIDERATION IN SELECTING FUTURE SUPPLIERS.

-- AUTOMATIC CONTROL AND SWITCHING EQUIPMENT: VIRTUALLY ALL OF THE AUTOMATIC SWITCHING AND CONTROL APPARATUS WHICH CP EXPECTS TO INSTALL OVER THE NEXT FIVE YEARS WILL HAVE TO BE IMPORTED. AGAIN, FINANCING WILL BE THE PRIMARY CRITERION FOR SUPPLIER SELECTION.

4. INFORMATION: INTERESTED U.S. FIRMS SHOULD CONTACT CAMINHOS DE FERRO PORTUGUESES, E.P., CALCADO DO DUQUE, 20, LISBOA, PORTUGAL. CONTACT IS JOSE FRANCISCO ALVES ALELUIA, PLANNING DIRECTOR.

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